

May 2002



# North Dakota REV-E-NEWS

**From Rod Backman, Director  
Office of Management and Budget  
600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400**

As a result of low income tax collections **B** primarily individual income tax collections **B** biennium-to-date collections are now \$1.9 million below projections. An updated revenue forecast is in the works. Historical data has been forwarded to Economy.com for their analysis. Economy.com anticipates completing the tax base forecast by the middle of June. The Advisory Council on Revenue Forecasting will meet the third or fourth week in June and the forecast should be completed by early July. This forecast will give us the first look at anticipated revenues for the 2003-05 biennium as well as updating revenue projections for the current biennium.

Nationally, gains in real gross domestic product growth in the first quarter, job growth, rebounding industrial production, and strong retail sales growth all indicate that the economy is improving. Economy.com believes that although the economic data is encouraging, the recovery still remains tentative. They do not expect the economy to re-establish consistent growth near its potential until this time next year. In the meantime, there

will be ups and downs in which the economy continues to expand, but at a muted rate.

In the past year, households have taken advantage of low interest rates, buying more homes last year than in any other year, and nearly setting a record for vehicle sales. As a result, households have spent sooner than they would have otherwise. While this helped the recent recession be a mild one, it has weakened the desire of households to spend as much in the near future. There is no pent up demand. In addition, businesses also remain extremely cautious. As a result, Economy.com expects the economy to experience a lull this summer and fall.

Regarding tax collections, Economy.com believes personal and corporate income taxes should recover first, although growth in individual income taxes will be constrained by low income from capital gains for several years. In addition, they anticipate that sales taxes are likely to be somewhat weak due to high consumer debt burdens and the lack of pent-up demand for autos.

## Oil Activity

Oil production in North Dakota averaged 84,755 barrels per day in March, slightly down from February's average of 85,813 barrels per day. The current price of oil is ap-

proximately \$23 per barrel and there are 12 oil rigs drilling compared to 15 rigs one year ago.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
***Compared to December 2001 Revised Forecast***  
**2001-03 BIENNIUM**  
**APRIL 2002**

REVENUES AND TRANSFERS	December 2001 Revised Forecast	FISCAL MONTH			December 2001 Revised Forecast	BIENNIUM TO DATE		
		Actual	Variance	Percent		Actual	Variance	Percent
Sales Tax	25,102,000.00	\$ 28,663,250.31	\$ 3,561,250.31	14.2%	\$ 258,927,000.00	\$ 261,992,116.28	\$ 3,065,116.28	1.2%
Motor Vehicle Excise Tax	4,569,000.00	5,117,285.49	548,285.49	12.0%	48,856,000.00	50,924,226.16	2,068,226.16	4.2%
Individual Income Tax	51,774,000.00	43,457,272.49	(8,316,727.51)	-16.1%	185,677,000.00	174,239,870.64	(11,437,129.36)	-6.2%
Corporate Income Tax	12,126,000.00	10,657,986.04	(1,468,013.96)	-12.1%	34,064,000.00	31,767,684.38	(2,296,315.62)	-6.7%
Insurance Premium Tax	400,000.00	117,459.04	(282,540.96)	-70.6%	14,796,000.00	17,993,420.64	3,197,420.64	21.6%
Financial Insitutions Tax	2,136,000.00	2,301,968.00	165,968.00	100.0%	2,328,000.00	3,547,356.00	1,219,356.00	100.0%
Oil & Gas Production Tax	1,522,000.00	2,085,329.24	563,329.24	37.0%	15,119,000.00	16,153,382.24	1,034,382.24	6.8%
Gaming Tax	852,000.00	688,191.66	(163,808.34)	-19.2%	9,465,555.00	10,296,676.94	831,121.94	8.8%
Interest Income	419,000.00	179,812.55	(239,187.45)	-57.1%	4,396,056.00	3,108,646.59	(1,287,409.41)	-29.3%
Oil Extraction Tax	926,000.00	1,080,075.38	154,075.38	16.6%	9,277,000.00	8,739,285.57	(537,714.43)	-5.8%
Cigarette & Tobacco Tax	1,526,000.00	1,549,422.34	23,422.34	1.5%	16,497,000.00	16,838,443.06	341,443.06	2.1%
Departmental Collections	1,000,000.00	1,077,137.48	77,137.48	7.7%	22,166,130.00	24,979,407.02	2,813,277.02	12.7%
Wholesale Liquor Tax	414,614.00	446,228.23	31,614.23	7.6%	4,473,589.00	4,532,554.92	58,965.92	1.3%
Coal Conversion Tax	2,146,000.00	2,035,296.95	(110,703.05)	-5.2%	19,905,000.00	19,380,037.23	(524,962.77)	-2.6%
Mineral Leasing Fees	325,000.00	198,000.00	(127,000.00)	-39.1%	2,475,373.00	1,932,745.62	(542,627.38)	-21.9%
Bank of North Dakota-Transfer					15,000,000.00	15,000,000.00		
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	170,424.00	170,424.00	-	0.0%	681,696.00	681,696.00	-	0.0%
Other Transfers			-	100.0%		68,337.47	68,337.47	100.0%
<b>Total Revenues and Transfers</b>	<b>105,408,038.00</b>	<b>99,825,139.20</b>	<b>(5,582,898.80)</b>	<b>-5.3%</b>	<b>664,104,399.00</b>	<b>662,175,886.76</b>	<b>(1,928,512.24)</b>	<b>-0.3%</b>

**COMPARISON TO PREVIOUS BIENNIUM REVENUES**  
**2001-03 BIENNIUM**  
**APRIL 2002**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	April 2000	April 2002	Variance	Percent	1999-01	2001-03	Variance	Percent
Sales Tax	\$ 16,248,630.01	\$ 28,663,250.31	\$ 12,414,620.30	76.4%	\$ 247,757,672.56	\$ 261,992,116.28	\$ 14,234,443.72	5.7%
Motor Vehicle Excise Tax	3,768,864.33	5,117,285.49	1,348,421.16	35.8%	44,678,370.91	50,924,226.16	6,245,855.25	14.0%
Individual Income Tax	44,144,518.40	43,457,272.49	(687,245.91)	-1.6%	166,546,544.43	174,239,870.64	7,693,326.21	4.6%
Corporate Income Tax	13,009,258.28	10,657,986.04	(2,351,272.24)	-18.1%	36,805,888.66	31,767,684.38	(5,038,204.28)	-13.7%
Insurance Premium Tax	118,949.67	117,459.04	(1,490.63)	-1.3%	14,225,335.20	17,993,420.64	3,768,085.44	26.5%
Financial Insitutions Tax	2,375,968.00	2,301,968.00	(74,000.00)	-3.1%	2,246,097.16	3,547,356.00	1,301,258.84	57.9%
Oil & Gas Production Tax	2,022,959.40	2,085,329.24	62,369.84	3.1%	15,487,446.93	16,153,382.24	665,935.31	4.3%
Gaming Tax	634,616.05	688,191.66	53,575.61	8.4%	9,988,164.02	10,296,676.94	308,512.92	3.1%
Interest Income	679,591.30	179,812.55	(499,778.75)	-73.5%	5,311,307.25	3,108,646.59	(2,202,660.66)	-41.5%
Oil Extraction Tax	962,051.10	1,080,075.38	118,024.28	12.3%	9,879,025.95	8,739,285.57	(1,139,740.38)	-11.5%
Cigarette & Tobacco Tax	1,703,124.24	1,549,422.34	(153,701.90)	-9.0%	17,965,322.68	16,838,443.06	(1,126,879.62)	-6.3%
Departmental Collections	4,653,388.00	1,077,137.48	(3,576,250.52)	-76.9%	18,298,924.68	24,979,407.02	6,680,482.34	36.5%
Wholesale Liquor Tax	453,161.81	446,228.23	(6,933.58)	-1.5%	3,941,067.87	4,532,554.92	591,487.05	15.0%
Coal Severance Tax	959,599.56	0.00	(959,599.56)	-100.0%	9,468,221.75	775,793.99	(8,692,427.76)	-91.8%
Coal Conversion Tax	1,059,273.43	2,035,296.95	976,023.52	92.1%	10,387,227.51	18,604,243.24	8,217,015.73	79.1%
Mineral Leasing Fees	372,853.46	198,000.00	(174,853.46)	-159.0%	2,861,725.01	1,932,745.62	(928,979.39)	-32.5%
Bank of North Dakota-Transfer					15,000,000.00	15,000,000.00	-	0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	172,576.00	170,424.00	(2,152.00)	-1.2%	690,304.00	681,696.00	(621,966.53)	-90.1%
Other Transfers	(34,620.61)		34,620.61	100.0%	1,858,646.44	68,337.47	1,790,308.97	96.3%
<b>Total Revenues and Transfers</b>	<b>93,304,762.43</b>	<b>99,825,139.20</b>	<b>6,520,376.77</b>	<b>7.0%</b>	<b>633,397,293.01</b>	<b>662,175,886.76</b>	<b>28,778,593.75</b>	<b>4.5%</b>

## Revenue Variances

The following comments are based on April revenue collections compared to the December 2001 revised revenue forecast.

Sales tax collections exceeded projections for April by \$3.6 million or 14.2 percent. Biennium-to-date sales tax collections are now \$3.1 million or 1.2 percent ahead of projections. We think April included some receipts for the month of May and thus, this positive variance is a timing issue whereby May will probably be below forecast.

Motor vehicle excise tax collections exceeded projections by \$548,285 or 12.0 percent, bringing biennium-to-date collections to \$2.1 million or 4.2 percent ahead of projections.

Individual income tax collections fell below projections in April by \$8.3 million or 16.1 percent. Biennium-to-date collections are \$11.4 million or 6.2 percent behind projections. Most other states have experienced an even more severe decline in individual income tax collections than North Da-

kota. One reason for the decrease in individual income tax collections is capital losses on the 2001 returns.

Corporate income tax collections fell behind forecast by \$1.5 million or 12.1 percent bringing biennium-to-date collections to \$2.3 million or 6.7 percent behind projections. This decrease in collections is a result of lower corporate profits nationally.

Both oil and gas production taxes and oil extraction taxes exceeded projections in April. Due to the increasingly strong price of oil, oil and gas production tax exceeded projections by \$563,329 and oil extraction taxes exceeded projections by \$154,075.

### Comments or Questions???

Call Rod Backman, Director  
Pam Sharp, Deputy Director  
Phone: 701-328-4904  
Fax : 701-328-3230  
E-mail : [sfrankli@state.nd.us](mailto:sfrankli@state.nd.us)

Visit the North Dakota web site at [www.discovernd.com](http://www.discovernd.com)

**Office of Management and Budget**  
600 East Blvd. Ave., Dept 110  
Bismarck, ND 58505-0400

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